Enrolment No./Seat No_______________

GUJARAT TECHNOLOGICAL UNIVERSITY

BE - SEMESTER–IV (NEW) EXAMINATION – SUMMER 2024

Subject Code:3140709 **Date:03-07-2024**

Subject Name: Principles of Economics and Management

Time:10:30 AM TO 01:00 PM **Total Marks:70**

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**
4. **Simple and non-programmable scientific calculators are allowed.**

			Marks
Q.1	**(a)**	Define (1) Equilibrium (2) Cross elasticity (3) Price elasticity	**03**
	(b)	Differentiate microeconomics and macroeconomics	**04**
	(c)	Explain theory of demand and supply with suitable diagram.	**07**
Q.2	**(a)**	Define (1) Fixed Cost (2) Opportunity Cost (3) Sunk Cost	**03**
	(b)	Explain stages of law of return to scale with suitable diagram	**04**
	(c)	What is production function? Explain characteristics of Land, Labour, capital & entrepreneur	**07**
		OR	
	(c)	What is market? Explain different types of markets	**07**
Q.3	**(a)**	What is National Income? Explain NI at current price and NI at constant price	**03**
	(b)	Discuss absolute & relative poverty in detail	**04**
	(c)	Define Money. Explain different types of Money.	**07**
		OR	
Q.3	**(a)**	Explain instruments of monetary policy used by RBI	**03**
	(b)	Discuss measures to control Inflation in detail	**04**
	(c)	Explain different types of Banks in India	**07**
Q.4	**(a)**	“Management is art as well as science” – Discuss this statement	**03**
	(b)	Explain role of manager in detail	**04**
	(c)	Explain importance and characteristics of organizing in management	**07**
		OR	
Q.4	**(a)**	Explain need of skills at different management levels	**03**
	(b)	Explain Abraham Maslow’s Hierarchy of needs theory	**04**
	(c)	Discuss fourteen administrative principles given by Henri Fayol	**07**
Q.5	**(a)**	How does culture affect managers and employees in an organization?	**03**
	(b)	Explain importance of planning in detail	**04**
	(c)	Draw and explain Carroll’s pyramid of CSR..	**07**
		OR	
Q.5	**(a)**	Discuss important characteristics of business ethics	**03**
	(b)	Explain factors affecting the span of control	**04**
	(c)	Discuss organization structure of any manufacturing industry	**07**

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PEM SUMMER-2024

Q.1 (a) Define (1) Equilibrium (2) Cross elasticity (3) Price elasticity

1) Equilibrium (Market Equilibrium)

Equilibrium is a condition in the market where **demand equals supply**.
At this point, the **quantity demanded by buyers is exactly equal to the quantity supplied by sellers**, and therefore the market price becomes stable.
In equilibrium, there is **no shortage and no surplus**, and both buyers and sellers are satisfied with the price.

2) Cross Elasticity of Demand

Cross elasticity of demand measures how **the demand for one product changes when the price of another related product changes**.
It helps identify whether two goods are **substitutes** (tea & coffee) or **complements** (car & petrol).
Formula:

$$\text{Cross Price Elasticity of Demand Formula} = \frac{\text{\% Change in Quantity Demanded of Product A}}{\text{\% Change in Price of Product B}}$$

3) Price Elasticity of Demand (PED)

Price elasticity of demand measures how **much the quantity demanded of a product changes when its own price changes**.
It shows whether demand is elastic (highly responsive) or inelastic (less responsive).
Formula:

$$PE_d = \frac{\%\ Change\ in\ Qty}{\%\ Change\ in\ Price}$$

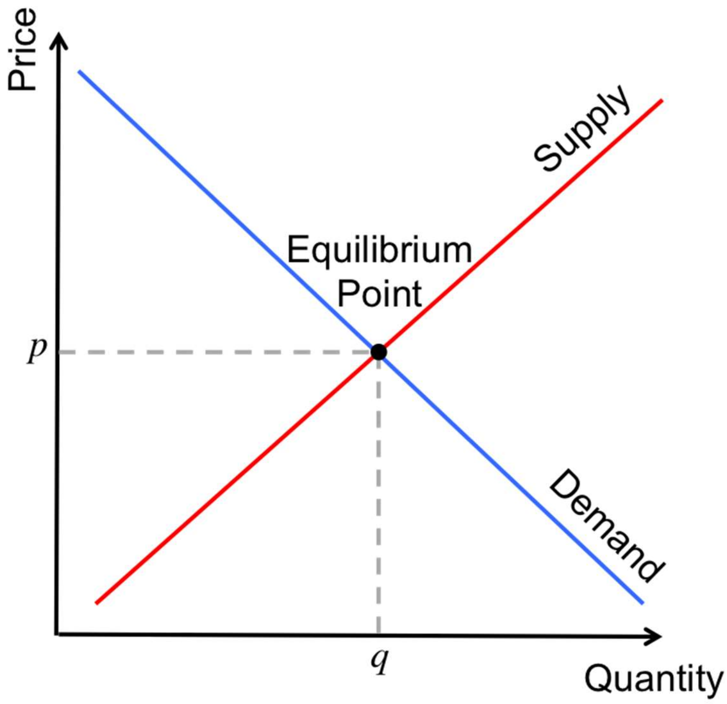
It helps businesses understand how customers react to price changes.

(b) Differentiate microeconomics and macroeconomics

Chart of difference between Micro-economics and Macro-economics

Basis of Difference	Micro-Economics	Macro-Economics
Meaning	It is the study of a particular industry and segment of the economy.	It is the study of the economy as a whole.
Purpose	The purpose of microeconomics is to analyze the market and determine the price levels of commodities.	The purpose of macroeconomics is to maximize national income and economic growth.
Deals with	It deals with supply, demand, production, price levels and consumption etc.	It deals with national income, distribution of income, employment and money etc.
Main determinant	Its main determinant is the price.	Its main determinant is income.
Approach	It uses Bottom-up Approach strategy to analyze the company.	It uses top-down approach strategy to analyze the economy.
Provides Solution to	It provides the solution to the problem of "what, how and for whom to produce"	It provides the solution to the problem of full utilization of resources in the economy.
Equilibrium Situation	It is based on the principle that the markets create equilibrium by itself in a short period.	It assumes that the economy can be in disequilibrium for a longer period of time i.e. during the recession or boom period.
Significance	It is useful in regulating the prices of goods and services as well as the factors of production.	It is useful in solving the major issues in the economy like inflation, unemployment and poverty.
Accounts for	It accounts for factors such as demand and supply of a specific commodity to determine its price.	It accounts for the aggregated demand and aggregated supply to determine the general price level.
Scope	It has a narrower scope as it is related to a specific segment of the economy.	It has a broader scope as it is related to the whole economy.
Main Tools	Demand and Supply are the main tools.	Aggregate demand and Aggregate supply are its main tools.
Examples	Some examples of its components are - Individual income and savings, price determination of a commodity, individual firm's output and consumer's equilibrium etc.	Some examples of its components are - National Income, General Price Level, Aggregate supply, Aggregate demand, unemployment etc.

(c) Explain theory of demand and supply with suitable diagram.



1. Demand

Demand refers to the **willingness and ability of consumers to buy a product at different prices**. In simple words, demand means "how much people want to buy" when the price changes.

According to the **law of demand**, when the price of a product goes **up**, people buy **less**, and when the price goes **down**, people buy **more**. This happens because people want to save money and also because they can switch to cheaper products when the price rises.

For example, if the price of notebooks increases, students may buy fewer notebooks or try to use old ones. But if the price falls, many students buy more notebooks because they are cheaper.

In diagram, the **blue line** represents the **demand curve**, which slopes **downward**. This slope shows that **as price decreases, quantity demanded increases**, and as **price increases, quantity demanded decreases**. The downward shape perfectly shows the nature of consumer behavior.

2. Supply

Supply refers to the **willingness and ability of producers to sell a product at different prices**. In simple words, supply means "how much sellers are ready to produce and sell" when the price changes. According to the **law of supply**, when the price of a product goes **up**, producers supply **more**, and when the price goes **down**, producers supply **less**. This is because producers want to earn profit, and higher prices encourage them to produce more.

For example, if the price of pens increases, pen manufacturers will produce more pens because they can earn more profit. But if the price drops, they reduce production because they don't want losses.

In diagram, the **red line** represents the **supply curve**, which slopes **upward**. This means that **as price increases, quantity supplied also increases**, and as **price decreases, quantity supplied decreases**. The upward slope shows how producers behave in the real world.

3. Market Equilibrium

Market equilibrium is the point where **demand = supply**.

This means the amount buyers want to buy is exactly equal to the amount sellers want to sell. At this point, the market is balanced, and the price becomes stable. This price is called the **equilibrium price**, and the quantity bought and sold at this point is called the **equilibrium quantity**.

For example, if at the price of ₹50, people want to buy 100 units and producers want to sell exactly 100 units, the market becomes balanced. No one faces shortage or extra stock. In your diagram, the **blue demand curve** and the **red supply curve** meet at a point called **E (equilibrium point)**. The horizontal dotted line shows the equilibrium **price**, and the vertical dotted line shows the equilibrium **quantity**. This point is very important because at this price, the market works smoothly without shortage or surplus.

What Happens If Price Is Not at Equilibrium?

If the price is **higher** than equilibrium, supply becomes more than demand. This creates **surplus** or unsold goods, and producers reduce the price to sell everything. If the price is **lower** than equilibrium, demand becomes more than supply, creating **shortage**, and then sellers increase the price. So in both cases, the market automatically comes back to the equilibrium point.

In Short :

- **Demand** shows how much people want to buy. It slopes downward.
- **Supply** shows how much producers want to sell. It slopes upward.
- **Equilibrium** is the point where both meet, giving the correct market price.
- The diagram you provided is **correct** and perfectly shows the demand curve, supply curve, and equilibrium.

Q.2 (a) Define (1) Fixed Cost (2) Opportunity Cost (3) Sunk Cost

(1) Fixed Cost

Fixed cost is the type of cost that **does not change** with the level of production.
Even if the firm produces more, less, or nothing, this cost remains **constant**.
Examples include **rent, salaries of permanent staff, insurance, electricity for office use**, etc.

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(2) Opportunity Cost

Opportunity cost is the **value of the next best alternative** that you must give up when you choose one option.
It shows the **benefit you lose** because you selected something else.
For example, if you spend ₹2,000 on a movie, the opportunity cost is what else you could have done with that money (like buying a book or saving it).

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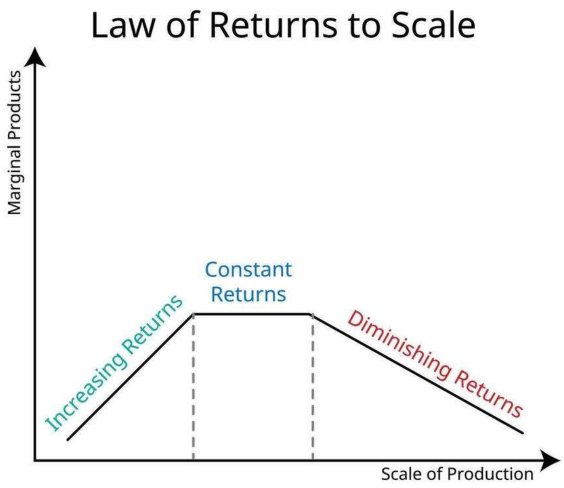
(3) Sunk Cost

Sunk cost is a cost that has already been spent in the past and **cannot be recovered**, no matter what decision you take in the future.
Since it cannot be changed or refunded, it should **not** affect future decisions.
Example: money spent on a non-refundable ticket or a failed project.

(b) Explain stages of law of return to scale with suitable diagram.



The **Law of Returns to Scale** explains how output changes when **all inputs (labour, capital, land, etc.) are increased in the same proportion**.
It shows the effect on production in the **long run**, because in the long run all inputs are variable.

The diagram you provided is **correct** and clearly shows the three stages:

1. **Increasing Returns to Scale**
2. **Constant Returns to Scale**
3. **Diminishing Returns to Scale**

Let us explain each stage in simple, detailed language.

1) Increasing Returns to Scale (IRS)

Meaning:
In this stage, when all inputs are increased proportionally, the **output increases more than proportionately**.
For example, if inputs increase by 50%, the output may increase by 80% or 100%.

Why this happens?

- Better **specialization** of workers
- Improved **division of labour**
- Efficient use of machines
- Better coordination

All these factors reduce cost and increase productivity.

In the diagram:

- This is represented by the **upward-sloping blue line**.
- As input units move from **1 to 3**, marginal product increases.

Simple example:
If a factory doubles the number of workers and machines, output becomes more than double because everyone works more efficiently.

2) Constant Returns to Scale (CRS)

Meaning:
In this stage, when all inputs increase in the same proportion, **output also increases in the same proportion**.
So, if inputs rise by 50%, output also rises by 50%.

Why this happens?

- At this stage, the firm is operating at its **most efficient size**
- Resources are fully used, no under-utilisation, no over-utilisation
- Neither benefit nor loss from increasing inputs

In the diagram:

- The graph becomes **flat/horizontal** from input level **3 to 6**
- Marginal product stays constant

Simple example:
A company increases workers and machines by 10%, and production also increases by 10%. There is no extra efficiency gained.

3) Diminishing Returns to Scale (DRS)

Meaning:
In this final stage, when all inputs are increased proportionally, **output increases but less than proportionately**.
For example, if inputs rise by 50%, output may rise only by 20%.

Why this happens?

- Management becomes difficult because the business becomes too large
- Coordination problems
- Machines over-worked
- Limited resources or space
- Communication gap

This leads to lower productivity.

In the diagram:

- Shown by the **downward-sloping green line**
- Starts from input **6 to 10**, where marginal product starts falling

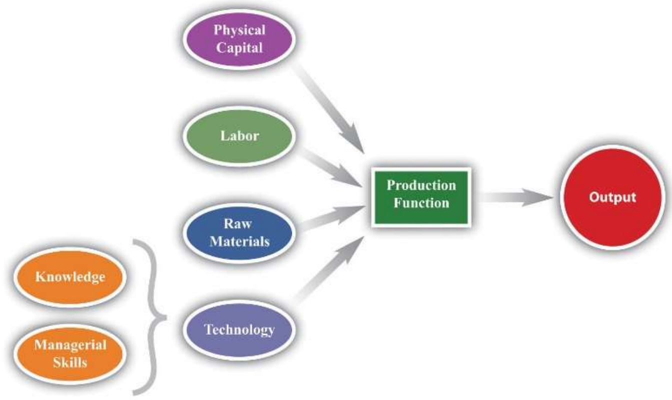
Simple example:
A firm expands too much. Even after adding more labour and capital, production does not grow as expected due to crowding and inefficiency.

(c) What is production function? Explain characteristics of Land, Labour, capital & entrepreneur.

What is Production Function?

A **production function** is a mathematical or economic relationship that shows **how much output (goods/services) can be produced by using different quantities of inputs** such as land, labour, capital and entrepreneurship.
In simple words, it tells us **"how inputs are converted into outputs."**
It explains the **maximum possible production** a firm can achieve with the available resources and technology.

Example:
If a bakery uses flour, workers, ovens, and managerial skills, the production function shows how many cakes can be made with those inputs.



General form:

Q = f(L,K,Ld,E)

Where
Q = Output
L = Labour
K = Capital
Ld = Land
E = Entrepreneur

Characteristics of Land

Land refers to all natural resources used in production such as soil, water, forests, minerals, climate, sunlight etc.

1. Land is a gift of nature

Land is not created by humans. We cannot increase or decrease the total quantity of land available.

2. Land is fixed in supply

The total amount of land in the country remains constant. We cannot manufacture more land.

3. Land is immovable

Land cannot be transported from one place to another. Its location is permanent.

4. Land productivity varies

Some land is highly fertile while some is barren. Different locations have different usefulness.

5. Land has multiple uses

Land can be used for farming, factories, housing, mining, tourism etc. Use depends on human choice.

Characteristics of Labour

Labour means **human effort**, physical or mental, used in production.

1. Labour is inseparable from the labourer

The worker must be present to deliver the work. You cannot separate labour like a material.

2. Labour is perishable

If a worker does not work today, that day's labour is lost forever.

3. Labour has human feelings

Labourers are not machines. Their productivity depends on motivation, training, health, environment etc.

4. Labour is variable

Labour manpower can be increased or decreased based on demand.

5. Labour productivity differs

Experienced workers perform better than unskilled workers; productivity also depends on technology.

Characteristics of Capital

Capital refers to **man-made resources** used in production such as machines, tools, buildings, vehicles, computers, raw materials etc.

1. Capital is man-made

Unlike land, capital is the result of human effort and investment.

2. Capital is mobile

It can be moved from one place to another, like machines, money, tools etc.

3. Capital increases productivity

More machines and tools help workers produce more goods in less time.

4. Capital requires maintenance

Machines require repair and servicing to maintain productivity.

5. Capital is created by saving

Savings are invested to form capital. Without saving, capital cannot be produced.

Characteristics of Entrepreneur

The entrepreneur is the **organiser, decision-maker, and risk-taker** who combines all other factors.

1. Takes risk

Entrepreneurs take financial and business risks to start the production process.

2. Organises production

They bring together land, labour, and capital in the right proportion.

3. Takes decisions

They decide what to produce, how to produce, how much to produce, and at what price.

4. Innovates

Entrepreneurs introduce new ideas, new technology, new products, and new ways to produce.

5. Earns profit

Profit is the reward for successful risk-taking and efficient organisation.

OR

(c) What is market? Explain different types of markets.

(c) What is Market?

A **market** is a place or system where **buyers and sellers come together** to exchange goods, services, or resources.
It is not necessary that the market is a physical place; even online platforms can be markets.

In simple words:
A market is **any arrangement** that allows people to **buy and sell** things.

A market requires:

1. **Buyers**
2. **Sellers**
3. **A product or service**
4. **Communication between buyers and sellers**
5. **Exchange at an agreed price**

Example: A vegetable market, Amazon, stock market, petrol pump, etc.

Types of Markets

Markets can be classified in many ways. Below are the **major types**, explained in simple language.

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1. Perfect Competition

This is the most ideal and imaginary form of market.

Features

- **Large number of buyers and sellers**
- All sellers sell **identical (homogeneous)** products
- **No single seller controls the price**
- Free entry and exit of firms
- Buyers have **full information**

Example

Wheat market, milk market, vegetable market (approx.) where many sellers exist.

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2. Monopoly

In this type, **only one seller** controls the entire market.

Features

- Single producer or firm
- No close substitutes for the product
- High entry barriers for new firms
- The seller controls the price (price maker)

Example

Railways in many countries, electricity supply in some regions.

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3. Monopolistic Competition

This market lies between perfect competition and monopoly.
Many sellers sell **slightly different products**.

Features

- Large number of sellers
- Products are **differentiated** (brand, quality, design)
- Some control over price
- Heavy advertising used to attract customers

Example

Shampoo brands, clothing brands, restaurants, mobile companies.

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4. Oligopoly

A market dominated by **a few large firms**.

Features

- 3–7 major companies control the entire market
- High competition among them
- Decisions of one firm affect others
- Sometimes firms may form groups or alliances
- Can sell identical or differentiated products

Example

Telecom companies, car companies, airline companies, cement companies.

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5. Duopoly

A special case of oligopoly where **only two firms** dominate the market.

Example

Visa & Mastercard in payment networks, Boeing & Airbus in large aircraft manufacturing.

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6. Monopsony

A market where there is **only one buyer** but many sellers.

Example

A government being the only buyer of defense equipment.

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7. E-Market / Online Market

Modern markets where buying and selling happen through the internet.

Features

- No physical presence required
- Global access
- Fast and convenient
- Digital payment systems

Example

Amazon, Flipkart, Meesho, OLX.

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8. Black Market

Illegal markets where prohibited goods are traded.

Example**

Illegal drugs, smuggled goods, unlicensed weapons.

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9. Local, Regional, National & International Markets

Based on geography:

Local Market

Buying and selling within a small area (city/town).
Example: Local fruit market.

Regional Market

Covers a bigger region or state.
Example: Gujarat textile market.

National Market

Goods sold throughout the country.
Example: Tata, Amul.

International Market

Products sold across countries.
Example: Apple, Samsung.

Q.3 (a) What is National Income? Explain NI at current price and NI at constant price.

What is National Income?

National Income refers to the **total value of all final goods and services** produced within a country **during one year**.
It measures the **economic performance** of a nation.

In simple words:
National Income is the **total income earned by all people and businesses** in a country in a year.

It includes:

- Wages and salaries
- Rent
- Interest
- Profits
- Income from production of goods & services

It helps in comparing:

- Growth of the economy
- Standard of living
- Development of the nation

National Income at Current Price (Nominal National Income)

Meaning

National Income at current price means national income **calculated using the prices that are prevailing in the same year**.

Here, we use the **market prices of that particular year** in which goods and services are produced.

Key Features

- Includes **inflation or deflation effects**
- Prices change every year, so NI at current prices may increase **even without real increase in production**
- It shows **monetary growth**, not real growth

Example (Simple)

Suppose India produced 1000 units of goods in 2023.
Price per unit in 2023 = ₹100

National Income at current price = 1000 × 100 = **₹1,00,000**

If in 2024, prices rise to ₹120 and production stays the same:

NI at current price = 1000 × 120 = **₹1,20,000**
Here, income increased due to **price rise**, not actual production.

National Income at Constant Price (Real National Income)

Meaning

National Income at constant price means national income **calculated using prices of a base year**, not the current year.

The base year price remains **fixed**, so inflation or deflation does not affect calculation.

Key Features

- Shows **real growth** in production
- Removes effect of price changes
- Helps in comparing economic progress over years

Example (Simple)

Base year price = ₹100
Production in 2024 = 1000 units

NI at constant price = 1000 × 100 = **₹1,00,000**

Even if price increases in 2024 to ₹120, we **still use** the base year price (₹100).
So constant price NI **remains the same**, showing no real growth.

(b) Discuss absolute & relative poverty in detail.

Poverty refers to a situation where people are unable to satisfy their basic needs for a decent life. It includes lack of food, clothing, shelter, healthcare, education, and other essentials. Poverty can be understood in many ways, but two important concepts are **Absolute Poverty** and **Relative Poverty**.

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1. Absolute Poverty

Definition

Absolute poverty refers to a condition where a person does not have enough resources to meet the minimum basic needs of life such as food, clothing, and shelter. It is based on a **fixed minimum consumption level**, also known as the **poverty line**.

This minimum requirement does not change with time or place. It indicates the bare minimum needed for survival.

Explanation

- In absolute poverty, people struggle to survive.
- They may not get enough calories to maintain good health.
- They often live without proper housing, medical care, clean water, or education.
- Governments usually define a **poverty line** based on minimum calorie intake or minimum income needed for essential goods.

Example

If the poverty line is ₹1500 per month per person for basic needs and a person earns only ₹1000, then he is considered absolutely poor.

Key Features

- Fixed standard of poverty.
- Based on survival requirements.
- Does not depend on how others in society are living.
- Useful to compare poverty across countries.

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2. Relative Poverty

Definition

Relative poverty refers to a situation where a person's income or standard of living is **lower compared to the rest of society**. Even if basic needs are met, a person is considered poor if they cannot maintain the normal standard of living enjoyed by most people in that society.

It is **not based on survival** but on **inequality**.

Explanation

- It focuses on how income is distributed in society.
- People may have food and shelter but still feel poor because their lifestyle is far below average.
- Relative poverty changes with economic growth and change in society.

Example

If the average monthly income in a society is ₹40,000 and a family earns only ₹10,000, although they survive, they cannot afford:

- good education
- modern healthcare
- decent clothes
- social participation
  Thus, they fall under relative poverty.

Key Features

- Changes according to society's income level.
- Based on inequality, not survival.
- Useful to measure poverty in developed countries.
- Helps understand the gap between rich and poor.

(c) Define Money. Explain different types of Money

Definition of Money

Money is anything that is **generally accepted as a medium of exchange** for goods and services. It acts as a **measure of value**, a **store of value**, and a **means of making future payments**.
In simple words, money is what people use to buy things, pay bills, and save for the future.

Money removes the problems of the barter system (like double coincidence of wants) and makes trading easy and efficient.

Types of Money

Money can be classified into several types. Each type has a different form and function. Below are the major types of money explained in easy language:

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1. Commodity Money

Commodity money is money made from items that have **value of their own** (intrinsic value).
Example: gold, silver, grains, salt, cattle.

Explanation

People used valuable items as money because these items were useful in daily life and could be traded easily.

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2. Metallic Money

Metallic money includes coins made from metals such as **gold, silver, copper, nickel**.

Explanation

- Durable, easily divisible, and easy to carry.

- Issued by the government.
  This was used before paper currency became popular.

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3. Paper Money (Currency Notes)

This refers to money printed on paper by the central bank (RBI in India).

Explanation

- Has no intrinsic value (paper itself is low-cost).
- But people accept it because the government guarantees its value.
  Example: ₹10, ₹50, ₹100, ₹500, ₹2000 notes.

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4. Fiat Money

Fiat money is money that has **value because the government declares it legal**. It is not backed by gold or silver.

Explanation

Today's money (Indian rupee) is fiat money.
People accept it because it is **legal tender**, meaning it must be accepted for payments by law.

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5. Fiduciary Money

Fiduciary money is money whose value is based on **trust**. It is accepted because the person who receives it trusts that it can be exchanged for goods.

Example

Cheques, bank drafts.

Explanation

These are not legal tender, but they are widely accepted based on trust and banking systems.

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6. Bank Money / Credit Money

This refers to **deposits created by banks** which can be used for payments through cheques, debit cards, online transfers, UPI, NEFT, RTGS, etc.

Explanation

Most modern transactions happen using bank money, not physical cash.
It exists only as numbers in bank accounts.

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7. Plastic Money

This includes **debit cards, credit cards, ATM cards**.

Explanation

People use plastic cards for shopping, ATM withdrawals, and online payments.
It reduces the need to carry cash.

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8. Electronic / Digital Money

Money used in digital form through mobile apps, wallets, or online banking.

Examples

UPI, Google Pay, PhonePe, Paytm, internet banking.

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9. Near Money

These are not exactly money, but can be **easily converted into cash** when needed.

Examples

Fixed deposits, bonds, savings certificates.

Explanation

They help in storing wealth and can be quickly turned into money.

OR

Q.3 (a) Explain instruments of monetary policy used by RBI

Definition

Monetary policy is the policy through which the **Reserve Bank of India (RBI)** controls the **supply of money, availability of credit, and interest rates** in the economy.
Its main purpose is to **control inflation**, ensure **economic stability**, and support **growth** by regulating how much money flows in the country.

RBI uses different **instruments/tools** to increase or decrease money supply depending on the economic situation.

⭐ Types of Monetary Policy Instruments

Monetary policy instruments are mainly divided into **two categories**:

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1. Quantitative Instruments (General Credit Control)

These tools affect **overall money supply** in the economy. They are used on a **large scale**.

(a) Bank Rate

- It is the interest rate at which RBI lends long-term funds to commercial banks.
- Increase in bank rate reduces money supply; decrease in bank rate increases money supply.

(b) Cash Reserve Ratio (CRR)

- CRR is the percentage of deposits that every bank must keep with RBI as cash.
- High CRR = less money to lend; Low CRR = more money to lend.

(c) Statutory Liquidity Ratio (SLR)

- SLR is the percentage of deposits banks must keep in the form of **gold, cash, or government securities**.
- High SLR reduces lending; low SLR increases lending.

(d) Open Market Operations (OMO)

- RBI buys or sells government securities in the market.
- Buying increases liquidity; selling absorbs liquidity.

(e) Repo and Reverse Repo Rate

- **Repo Rate**: Rate at which banks borrow from RBI for short-term.
- **Reverse Repo Rate**: Rate at which banks deposit their money with RBI.

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2. Qualitative Instruments (Selective Credit Control)

These tools control **specific types of credit** or are used for **special purposes**.

(a) Margin Requirements

- RBI changes the margin on loans to control the amount of loan against collateral.

(b) Credit Rationing

- RBI limits the amount of credit granted to particular sectors.

(c) Moral Suasion

- RBI uses persuasion or advice to encourage banks to follow policy guidelines.

(d) Consumer Credit Regulation

- RBI controls the terms of consumer loans (like minimum down payment, maximum repayment period).

(b) Discuss measures to control Inflation in detail.

Inflation is the continuous rise in the general price level of goods and services in an economy. It reduces the purchasing power of money and can harm both consumers and businesses. Controlling inflation is important for economic stability and growth. Governments and central banks adopt various measures to control inflation, which can be broadly classified into **monetary measures, fiscal measures, and other supplementary measures**.

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1. Monetary Measures:

Monetary policy is controlled by the central bank (like RBI in India) to regulate the money supply and interest rates. Key measures include:

- **Increasing Bank Rates:** Raising the interest rates discourages borrowing and reduces the money supply in the economy.

- **Increasing Cash Reserve Ratio (CRR):** Banks are required to keep a higher percentage of deposits as reserves, which reduces lending capacity and curbs money flow.
- **Increasing Statutory Liquidity Ratio (SLR):** Banks must invest more in government securities, reducing funds available for lending.
- **Open Market Operations (OMO):** Selling government securities in the market withdraws excess liquidity and controls inflation.
- **Tight Money Policy:** Reducing the supply of credit in the economy discourages unnecessary spending.

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2. Fiscal Measures:

Fiscal policy involves government decisions on taxation and expenditure. Key measures include:

- **Reducing Government Expenditure:** Cutting non-essential government spending lowers the total demand in the economy.
- **Increasing Taxes:** Higher direct or indirect taxes reduce disposable income, which in turn reduces demand-pull inflation.
- **Reducing Budget Deficit:** Limiting government borrowing prevents excessive money supply in the economy.
- **Subsidy Adjustments:** Reducing subsidies on non-essential goods can decrease consumption and demand.

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3. Supply-Side Measures:

Inflation can also result from shortages in supply. Measures to improve supply include:

- **Increasing Production:** Encouraging industrial and agricultural production ensures availability of goods.
- **Import of Essential Goods:** Importing goods in short supply helps meet domestic demand and stabilizes prices.
- **Improving Infrastructure:** Better transport, storage, and distribution reduce wastage and costs, controlling inflation.
- **Price Controls:** Fixing maximum prices on essential commodities can prevent excessive price rise in short-term.

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4. Other Measures:

- **Encouraging Savings:** Higher savings reduce consumption and help control demand-pull inflation.
- **Restricting Speculation:** Preventing hoarding or black marketing of essential goods reduces artificial scarcity.

- **Monitoring Money Supply:** Careful control of credit, loans, and money supply prevents excess liquidity in the market.

(c) Explain different types of Banks in India

Types of Banks in India

Banks are financial institutions that accept deposits, provide loans, and help in the smooth functioning of the economy. In India, banks are classified into different types based on their functions, ownership, and area of operation.

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1. Commercial Banks:
Commercial banks are profit-oriented institutions that provide loans, accept deposits, and offer other financial services. They can be further divided into:

- **Public Sector Banks:** The government holds the majority stake. Examples: State Bank of India (SBI), Punjab National Bank.
- **Private Sector Banks:** Owned by private individuals or companies. Examples: HDFC Bank, ICICI Bank.
- **Foreign Banks:** Banks from other countries operating in India. Examples: Citibank, Standard Chartered Bank.

Functions of Commercial Banks:

- Accept deposits (savings, current, fixed).
- Provide loans and advances to individuals and businesses.
- Facilitate payments through cheques, drafts, and online banking.
- Offer investment services, credit cards, and ATM facilities.

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2. Cooperative Banks:

- Owned and operated by cooperatives or groups of people.
- Mainly serve farmers, small businesses, and rural communities.
- Example: Primary Agricultural Credit Societies (PACS), District Central Cooperative Banks.
- Objective: Promote **financial inclusion** in rural areas.

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3. Regional Rural Banks (RRBs):

- Established to provide banking facilities in rural areas.
- Sponsored by a commercial bank but controlled by the government.
- Objective: Provide credit and banking services to small farmers, artisans, and rural entrepreneurs.
- Example: Prathama Bank, Andhra Pradesh Grameena Vikas Bank.

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4. Development Banks:

- Provide long-term financial assistance for industrial, agricultural, and infrastructural projects.
- Do not provide regular banking services like deposits.
- Example: Industrial Development Bank of India (IDBI), NABARD (National Bank for Agriculture and Rural Development).

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5. Central Bank of India:

- The Reserve Bank of India (RBI) is the central bank.
- Functions:
  - Issue currency.
  - Control money supply and credit.
  - Regulate and supervise other banks.
  - Maintain price stability and financial stability.

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6. Other Specialized Banks:

- **Export-Import Banks:** Help in financing exports and imports. Example: EXIM Bank of India.
- **Investment Banks:** Assist companies in raising capital, mergers, and investments. Example: ICICI Securities.
- **Microfinance Institutions:** Provide small loans to poor and unbanked people in rural areas.

Q.4 (a) "Management is art as well as science" – Discuss this statement

"Management is an Art as well as a Science"

Management is the process of planning, organizing, leading, and controlling resources to achieve organizational goals efficiently. It is often said that **management is both an art and a science** because it combines practical skills with systematic knowledge.

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1. Management as an Art:

Management is considered an art because it requires **personal skills, creativity, and practice**. Some points explaining this are:

- **Requires Skill and Practice:** Like an artist needs skill to create a painting, a manager needs skills to handle people, make decisions, and solve problems.

- **Creative Application:** Managers apply knowledge creatively depending on the situation. No two situations are exactly the same, so innovation and intuition are required.
- **Individual Approach:** Every manager has a unique style of handling people and resources, which is an art.
- **Practical Experience:** Successful management depends on learning from experience and applying judgment.

---

2. Management as a Science:

Management is also considered a science because it is based on **systematic knowledge, principles, and theories**. Some points are:

- **Systematic Body of Knowledge:** Management has principles, techniques, and theories developed through research and study.
- **Cause and Effect Relationship:** Certain actions in management produce predictable results. For example, proper planning generally improves efficiency.
- **Universality of Principles:** Principles like planning, organizing, directing, and controlling can be applied in all types of organizations.
- **Objective and Predictable:** Decisions and actions can be analyzed scientifically to reduce risks and improve outcomes.

Conclusion:

Management is both an art and a science because:

- As an **art**, it requires skill, creativity, and personal judgment to handle human and material resources effectively.
- As a **science**, it relies on systematic principles, research, and analysis to make decisions and achieve organizational goals.

Thus, management is a **blend of theoretical knowledge and practical application**, making it both a science and an art.

(b) Explain role of manager in detail

Role of a Manager

A manager is a person responsible for planning, organizing, leading, and controlling the resources of an organization to achieve its goals efficiently and effectively. Managers play a crucial role in the success and smooth functioning of any organization. Their roles can be categorized into **interpersonal, informational, and decisional roles**.

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1. Interpersonal Roles:

These roles involve interacting with people both inside and outside the organization.

- **Figurehead:** Managers represent the organization at official functions, meetings, and ceremonies. They act as the face of the organization.
- **Leader:** Managers guide, motivate, and support employees to achieve the organization's objectives. They also maintain discipline and teamwork.
- **Liaison:** Managers maintain good relationships with people and organizations outside their own team. This includes customers, suppliers, government agencies, and other stakeholders.

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2. Informational Roles:

Managers act as a source, receiver, and distributor of information.

- **Monitor:** They collect information from both the internal and external environment to understand trends, issues, and opportunities.
- **Disseminator:** Managers share important information with team members to help them make decisions.
- **Spokesperson:** They communicate relevant information about the organization to outsiders like investors, media, and the public.

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3. Decisional Roles:

Managers make important decisions that affect the organization's operations and future.

- **Entrepreneur:** They initiate new projects, improvements, and innovations to help the organization grow.
- **Disturbance Handler:** Managers resolve conflicts, crises, and unexpected problems in the organization.
- **Resource Allocator:** They decide how money, personnel, and materials will be distributed among different departments and projects.
- **Negotiator:** Managers negotiate with clients, suppliers, employees, and other organizations to reach beneficial agreements.

Additional Roles of Managers:

- **Planning:** Setting objectives and deciding the course of action to achieve goals.
- **Organizing:** Arranging resources and assigning tasks effectively.
- **Directing:** Leading, guiding, and motivating employees to work efficiently.
- **Controlling:** Monitoring performance and taking corrective actions if needed.

(c) Explain importance and characteristics of organizing in management

Organizing in Management

Organizing is one of the fundamental functions of management. It involves arranging resources—human, financial, and material—into a structured system to achieve organizational goals efficiently. Organizing ensures that activities are divided, responsibilities are assigned, authority is delegated, and coordination is maintained among various departments and employees. It forms the backbone of an organization, enabling smooth operations and effective utilization of resources.

Importance of Organizing:

Organizing plays a critical role in the success and growth of any organization. Its importance can be understood as follows:

1. **Provides Clarity of Roles and Responsibilities:**
    - Organizing clearly defines the duties, responsibilities, and reporting relationships of each employee.
    - It reduces confusion, duplication of work, and ensures accountability.
2. **Ensures Efficient Utilization of Resources:**
    - Organizing ensures that human, financial, and physical resources are used effectively.
    - It reduces wastage, avoids idle time, and increases productivity.
3. **Facilitates Coordination:**
    - By arranging activities and resources systematically, organizing ensures that all departments work together harmoniously.
    - Smooth communication and cooperation are maintained, avoiding conflicts and bottlenecks.
4. **Helps Achieve Organizational Goals:**
    - Proper organization aligns individual tasks with the overall objectives of the organization.
    - Each employee knows their contribution, leading to collective achievement of goals.
5. **Promotes Specialization and Expertise:**
    - Work is divided into smaller tasks and assigned based on the skills and expertise of employees.
    - Specialization improves efficiency, quality of work, and overall performance.
6. **Provides Authority and Accountability:**
    - Organizing establishes a clear chain of command and delegation of authority.
    - Employees are given the power to make decisions related to their work and are accountable for results.
7. **Encourages Growth and Expansion:**
    - A well-organized structure provides flexibility to accommodate new departments, products, and technologies.
    - It helps the organization expand without creating confusion or inefficiency.
8. **Reduces Conflicts:**
    - Clear allocation of duties, responsibilities, and authority reduces overlapping of work.
    - Employees understand their roles and reporting relationships, reducing misunderstandings and disputes.
9. **Improves Decision Making:**

    - With a structured system and proper flow of information, managers can make informed and timely decisions.
    - Organizing ensures that the right information reaches the right person at the right time.
10. **Adaptability to Change:**
    - Organizing allows the organization to respond effectively to internal and external changes, such as new technologies, market demands, or government regulations.

Characteristics of Organizing:

The key features or characteristics of organizing include:

1. **Purposeful Activity:**
    - Organizing is done with a clear objective in mind—achieving the goals of the organization efficiently.
2. **Division of Work:**
    - Work is divided into smaller, manageable tasks to improve efficiency and encourage specialization.
3. **Coordination of Activities:**
    - Organizing ensures that various activities and resources are coordinated to avoid duplication and conflicts.
4. **Assignment of Responsibility:**
    - Each task is assigned to a person or group, making them responsible for its completion.
5. **Delegation of Authority:**
    - Authority is given to employees to make decisions necessary to perform their tasks effectively.
6. **Hierarchy or Chain of Command:**
    - Organizing establishes levels of authority and reporting relationships to ensure discipline and clarity.
7. **Flexibility:**
    - The organizational structure should be adaptable to accommodate changes in objectives, technology, or market conditions.
8. **Continuity:**
    - Organizing is an ongoing process because as the organization grows, its structure needs to be updated to maintain efficiency.
9. **Unity of Direction:**
    - All efforts and activities are directed towards common organizational goals, ensuring that everyone works in harmony.
10. **Integration of Resources:**
    - Organizing brings together people, materials, and money in a systematic way to achieve maximum efficiency.

OR

Q.4 (a) Explain need of skills at different management levels

Need of Skills at Different Management Levels

Managers at different levels in an organization require different types of skills to perform their roles effectively. These skills are mainly **technical, human, and conceptual skills**. The importance of each skill varies depending on the level of management.

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1. Top-Level Management (e.g., CEO, Managing Director):

- **Conceptual Skills:** Most important at this level because top managers need to see the organization as a whole, plan for the long-term, and make strategic decisions.
- **Human Skills:** Essential for building relationships with middle managers, employees, and external stakeholders like investors and government agencies.
- **Technical Skills:** Less important at this level since top managers focus more on strategy rather than day-to-day operations.

2. Middle-Level Management (e.g., Department Heads, Branch Managers):

- **Human Skills:** Most important to coordinate effectively between top management and operational staff. They must motivate, guide, and communicate clearly with their teams.
- **Conceptual Skills:** Needed to understand and implement strategies and policies set by top management.
- **Technical Skills:** Moderately required to understand departmental tasks and supervise employees.

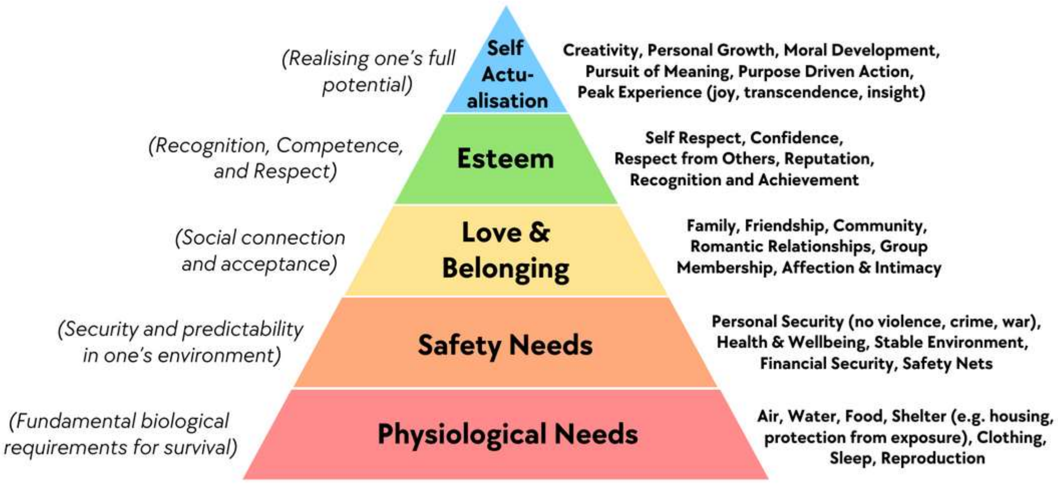
3. Lower-Level Management (e.g., Supervisors, Foremen):

- **Technical Skills:** Most important because they guide employees in day-to-day operations and ensure tasks are done correctly.
- **Human Skills:** Also important to maintain good relationships with employees, resolve conflicts, and motivate the workforce.
- **Conceptual Skills:** Less important at this level as they mainly focus on execution rather than strategy.

(b) Explain Abraham Maslow's Hierarchy of needs theory

Abraham Maslow's Hierarchy of Needs Theory

Abraham Maslow, an American psychologist, proposed the **Hierarchy of Needs Theory** in 1943. According to Maslow, human behavior is motivated by a series of needs arranged in a hierarchy, starting from the most basic to the most advanced. People strive to satisfy lower-level needs before they move on to higher-level needs.



The Five Levels of Maslow's Hierarchy of Needs:

1. **Physiological Needs:**
   - These are the **basic survival needs** such as food, water, clothing, shelter, and sleep.
   - They are the foundation of the hierarchy; if these needs are not met, people cannot focus on higher-level needs.
2. **Safety Needs:**
   - Once physiological needs are satisfied, people seek **security and protection**.
   - This includes physical safety, financial security, health, and a stable environment.
3. **Social or Belongingness Needs:**
   - After safety, humans desire **social relationships**.
   - This includes friendship, family, love, acceptance, and a sense of belonging to a group or community.
4. **Esteem Needs:**
   - Once social needs are met, people seek **recognition and respect**.
   - This includes self-esteem, achievement, status, recognition, and appreciation from others.
5. **Self-Actualization Needs:**
   - The highest level is **self-actualization**, which is the desire to **realize one's full potential**.
   - It includes personal growth, creativity, problem-solving, and fulfilling one's talents and abilities.

Key Points of Maslow's Theory:

- Needs are **hierarchical**: lower-level needs must be satisfied before higher-level needs become motivating factors.
- The theory is **motivational**: understanding these needs helps managers motivate employees effectively.
- People may move **up and down the hierarchy** depending on circumstances.

Importance in Management:

- Helps managers understand employee motivation and behavior.
- Guides in designing **incentives, rewards, and workplace conditions**.
- Encourages a holistic approach to employee development by addressing physical, emotional, social, and personal growth needs.

(c) Discuss fourteen administrative principles given by Henri Fayol.

Henri Fayol's 14 Principles of Management

Henri Fayol (1841–1925), a French management theorist, is regarded as one of the pioneers of modern management. He developed **14 principles of management** to guide managers in planning, organizing, leading, and controlling an organization. These principles are still widely used in business management today as guidelines for effective administration.

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1. Division of Work

- Work should be divided among employees according to their skills and expertise.
- Specialization increases efficiency, productivity, and quality of work.
- Helps employees become experts in their respective fields.

2. Authority and Responsibility

- Managers must have the **authority** to give orders and make decisions.
- Along with authority comes **responsibility** to ensure tasks are completed effectively.
- A balance between authority and responsibility prevents misuse of power or neglect of duties.

3. Discipline

- Employees must obey rules, follow instructions, and respect organizational agreements.
- Discipline is necessary for smooth functioning, order, and efficiency.
- Fair treatment, good leadership, and clear rules enhance discipline.

4. Unity of Command

- Each employee should report to **only one superior**.

- Avoids confusion, conflicts, and contradictory instructions.
- Helps employees perform their duties efficiently.

5. Unity of Direction

- Activities with similar objectives should be directed by one manager using a single plan.
- Ensures coordination, reduces duplication of work, and focuses efforts on organizational goals.

6. Subordination of Individual Interest to General Interest

- Organizational interests should take priority over individual or personal interests.
- Encourages employees to work for the collective benefit, promoting unity and harmony.

7. Remuneration

- Employees should receive fair compensation for their work.
- Adequate wages and benefits motivate employees, improve satisfaction, and reduce turnover.

8. Centralization and Decentralization

- **Centralization:** Decision-making is concentrated at the top levels of management.
- **Decentralization:** Authority is distributed to lower levels to make decisions.
- A proper balance between the two ensures efficiency, flexibility, and employee participation.

9. Scalar Chain (Chain of Command)

- A clear line of authority from top management to the lowest level must exist.
- Provides proper communication channels, accountability, and reporting structure.
- Employees know whom to report to and who is responsible for decisions.

10. Order

- Proper arrangement of resources, employees, and materials is essential.
- Ensures the right person, place, and material at the right time.
- Reduces wastage, confusion, and operational delays.

11. Equity

- Managers must treat employees fairly, kindly, and justly.
- Encourages loyalty, motivation, and a harmonious work environment.

12. Stability of Tenure of Personnel

- Long-term employment and low turnover improve efficiency.

- Stability allows employees to gain experience, learn, and contribute effectively.
- Frequent changes can disrupt workflow and reduce productivity.

13. Initiative

- Employees should be encouraged to take initiative and suggest ideas.
- Promotes creativity, innovation, and personal responsibility.
- Managers should support employee suggestions to improve engagement.

14. Esprit de Corps (Team Spirit)

- Promoting teamwork, unity, and harmony enhances organizational performance.
- Strong team spirit improves morale, cooperation, and productivity.
- Conflicts should be minimized, and collaboration encouraged.

Q.5 (a) How does culture affect managers and employees in an organization?

How Culture Affects Managers and Employees in an Organization

Organizational culture refers to the shared values, beliefs, norms, and practices that shape the behavior of people within an organization. Culture influences how managers lead, make decisions, and interact with employees, as well as how employees behave, communicate, and perform their tasks.

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1. Effect on Managers:

1. **Decision-Making:**
   - Organizational culture affects the style and speed of managerial decisions.
   - In a **risk-taking culture**, managers may make bold and innovative decisions, whereas in a **conservative culture**, decisions may be cautious and slow.
2. **Leadership Style:**
   - Culture shapes whether managers adopt **autocratic, participative, or democratic leadership** styles.
   - For example, in a hierarchical culture, managers may give instructions from the top; in a collaborative culture, managers may seek team input.
3. **Motivation and Communication:**
   - Culture influences how managers motivate employees.
   - In cultures valuing individual achievement, managers may use **performance-based rewards**; in team-oriented cultures, **group incentives** may be more effective.
4. **Conflict Management:**
   - The organizational culture determines how managers handle conflicts.
   - Open and transparent cultures encourage **discussion and resolution**, while rigid cultures may rely on **formal rules** and authority.

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2. Effect on Employees:

1. **Work Behavior:**
    - Employees' attitudes toward work, collaboration, and innovation are shaped by organizational culture.
    - A culture that values innovation encourages creativity, while a strict, rule-based culture may focus on compliance.
2. **Communication Patterns:**
    - Culture affects how employees interact with each other and with managers.
    - In flat organizations, employees may communicate **freely across levels**, whereas in hierarchical organizations, communication is **formal and top-down**.
3. **Job Satisfaction and Motivation:**
    - A positive, supportive culture enhances employee motivation, loyalty, and job satisfaction.
    - A negative or toxic culture can lead to stress, low morale, and high turnover.
4. **Adaptability and Learning:**
    - Culture influences employees' willingness to learn, adapt, and accept changes.
    - Organizations with a learning-oriented culture encourage continuous development, while rigid cultures may resist change.

(b) Explain importance of planning in detail

Importance of Planning in Management

Planning is a fundamental function of management that involves setting objectives, identifying resources, forecasting future conditions, and deciding the best course of action to achieve organizational goals. It acts as a roadmap for managers and employees, guiding their activities toward desired outcomes.

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1. Provides Direction

- Planning gives a clear sense of direction by defining objectives and strategies.
- It helps managers and employees understand **what needs to be done**, **how**, and **by whom**.
- Reduces confusion and ensures that everyone is working toward the same goals.

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2. Reduces Uncertainty

- Planning involves forecasting future conditions and anticipating problems.
- By analyzing trends, risks, and opportunities, managers can **take proactive measures**.
- Helps organizations respond effectively to **changes in the market, economy, or environment**.

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3. Facilitates Decision-Making

- Planning provides a framework for making decisions by outlining alternatives, evaluating options, and selecting the best course of action.
- Reduces hasty or impulsive decisions and ensures logical, informed choices.

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4. Promotes Efficiency

- By setting priorities and allocating resources properly, planning ensures **optimal utilization of time, money, and manpower**.
- Prevents duplication of efforts and wastage, improving overall efficiency and productivity.

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5. Reduces Risks

- Planning identifies potential risks and uncertainties and prepares **contingency plans** to mitigate them.
- Minimizes losses and helps the organization avoid unforeseen problems.

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6. Facilitates Coordination

- Planning ensures that activities of different departments and individuals are aligned with organizational objectives.
- Promotes **teamwork** and reduces conflicts caused by uncoordinated actions.

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7. Encourages Innovation and Creativity

- While planning focuses on achieving objectives, it also encourages managers and employees to **explore new methods, strategies, and solutions**.
- Stimulates creative problem-solving and innovation within the organization.

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8. Provides a Basis for Control

- Planning sets standards and benchmarks against which actual performance can be measured.
- Facilitates control by identifying deviations from the plan and taking corrective action in a timely manner.

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9. Helps in Setting Organizational Goals

- Planning involves establishing **short-term and long-term objectives**.
- Provides clarity about organizational priorities and aligns individual efforts with overall goals.

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10. Builds Confidence

- Proper planning instills confidence in managers and employees because it provides a **clear roadmap and preparedness**.
- Reduces anxiety and uncertainty in achieving objectives.

(c) Draw and explain Carroll's pyramid of CSR.

Carroll's Pyramid of Corporate Social Responsibility (CSR)

Archie B. Carroll, a renowned management scholar, developed the **Pyramid of CSR** in 1991 to explain that businesses have multiple layers of responsibilities. The pyramid illustrates that businesses must fulfill responsibilities in a hierarchical order, starting from basic economic duties to discretionary philanthropic contributions.

The pyramid has **four levels**, which represent different types of responsibilities: **Economic, Legal, Ethical, and Philanthropic**.

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1. Economic Responsibility (Base of the Pyramid)

- **Definition:** Economic responsibility is the foundation of Carroll's pyramid. It refers to the obligation of a business to be profitable and economically sustainable.
- **Explanation:**
  - A company must produce goods or services efficiently and generate profits to survive.
  - Profitability allows the organization to pay employees, investors, suppliers, and taxes.
  - Without economic stability, the company cannot meet legal, ethical, or philanthropic responsibilities.
- **Example:** A manufacturing company producing quality products at reasonable prices while generating sufficient profit.

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2. Legal Responsibility

- **Definition:** Legal responsibility requires businesses to **comply with laws and regulations** set by the government.
- **Explanation:**
  - Companies must follow labor laws, tax regulations, environmental standards, and consumer protection rules.
  - Legal compliance ensures fairness and prevents exploitation or harm to society.
  - Legal responsibility builds trust with stakeholders and protects the organization from legal penalties.
- **Example:** A company adhering to minimum wage laws and environmental guidelines.

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3. Ethical Responsibility

- **Definition:** Ethical responsibility refers to conducting business in a **morally right and fair manner**, beyond what is legally required.
- **Explanation:**
  - Businesses are expected to act with integrity, honesty, and fairness.
  - Ethical responsibility addresses societal expectations that are not codified into law.
  - It includes avoiding harm, treating employees fairly, respecting customers, and considering environmental impact.
- **Example:** A company ensuring fair treatment of workers, avoiding deceptive advertising, and adopting sustainable production methods.

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4. Philanthropic (Discretionary) Responsibility (Top of the Pyramid)

- **Definition:** Philanthropic responsibility involves voluntary contributions to society and community development.

- **Explanation:**
    - This is **discretionary**; businesses are not legally or ethically obligated to do this, but it reflects social commitment.
    - Activities include charity, education programs, health initiatives, community welfare projects, and environmental protection.
    - Philanthropy helps improve the company's public image and fosters goodwill.
- **Example:** A company funding schools, hospitals, or disaster relief programs.

Key Features of Carroll's Pyramid:

1. **Hierarchical Structure:** Responsibilities are arranged in a pyramid, starting with economic needs at the base, progressing through legal and ethical duties, and culminating in philanthropic contributions.
2. **Foundation of Profit:** Economic responsibility is the base because profitability is essential for fulfilling all other responsibilities.
3. **Integration of Responsibilities:** A responsible organization fulfills all four levels simultaneously, not in isolation.
4. **Dynamic Nature:** Businesses may shift focus among levels depending on circumstances, such as legal changes, social expectations, or financial conditions.

OR

Q.5 (a) Discuss important characteristics of business ethics

Important Characteristics of Business Ethics

Business ethics refers to the moral principles, values, and standards that guide the behavior of individuals and organizations in the business world. Ethical conduct helps businesses build trust, maintain reputation, and operate responsibly. The following are the key characteristics of business ethics:

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1. Based on Moral Values and Principles

Business ethics is built on universal moral values such as honesty, fairness, respect, responsibility, and integrity.
These values guide how businesses should treat customers, employees, suppliers, and society.

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2. Universally Applicable

Ethical standards apply to all types of businesses—large or small, public or private, manufacturing or service.

Though cultural differences may exist, fundamental ethics like truthfulness and fairness are accepted everywhere.

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3. Protects the Interests of Stakeholders

Business ethics protects the interests of all stakeholders—employees, customers, investors, suppliers, government, and community.
Ethical decisions consider the impact on each group, not just profit maximization.

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4. Long-Term Perspective

Ethics focuses on long-term gains rather than short-term profits.
Ethical behavior builds trust, goodwill, and brand loyalty, which help the business grow sustainably over time.

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5. Voluntary in Nature

Following ethical values is not enforced by law; it is voluntary.
Companies choose to act ethically because it improves reputation and builds credibility, even when there are no rules forcing them.

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6. Requires Top Management Commitment

Ethical practices must start from the top.
Leaders must set the tone by demonstrating honesty, transparency, and fairness.
A strong ethical culture is created when managers act as role models.

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7. Dynamic and Changing

Business ethics is not static.
It changes according to new technology, social expectations, environmental issues, and cultural changes.
For example, data privacy and environmental protection are now major ethical areas.

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8. Enhances Social Responsibility

Ethical behavior encourages businesses to act responsibly toward society.
It promotes fair wages, safe working conditions, environmental protection, and community welfare.

9. Promotes Fairness and Justice

Ethics ensures that all business activities are conducted with fairness—
• fair treatment of employees
• fair pricing to customers
• fair competition in the market
This reduces exploitation and builds trust.

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10. Builds a Positive Corporate Culture

Business ethics creates a culture where employees feel respected, safe, and motivated.
It reduces conflicts, encourages teamwork, and builds loyalty.

(b) Explain factors affecting the span of control

Factors Affecting the Span of Control

Span of control refers to the number of subordinates a manager can effectively supervise. A suitable span depends on many internal and external factors. The key factors are:

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1. Ability and Experience of the Manager

A skilled, knowledgeable, and experienced manager can handle more employees.
But if the manager is new or lacks experience, the span must be small.

Example: A highly trained manager in a call center can supervise 20+ employees.

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2. Skills and Competence of Employees

If employees are well-trained, responsible, and capable of working independently, one manager can supervise many employees.
If employees need constant guidance, frequent mistakes, or lack experience, the span should be narrow.

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3. Nature of Work

- **Routine, repetitive, simple work → Large span.**
- **Complex, technical, or creative work → Small span.**

Example: Assembly-line workers can be supervised in a large group, but R&D teams require close supervision.

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4. Level of Management

Higher levels (top management) usually have a narrow span because their work is strategic and requires more time per employee.
Lower levels (supervisory level) can have a wide span as tasks are more routine.

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5. Clarity of Authority and Responsibilities

If roles, tasks, and reporting lines are clear and well-defined, the manager can supervise more people.
Confusion in duties reduces span of control.

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6. Communication Systems

When an organization has good communication tools (emails, software, meetings), the span can be wider because the manager can easily coordinate with many employees.
Poor communication requires a narrow span.

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7. Geographic Distance

If employees are located far apart or working in different locations, the span must be small.
If everyone is in the same workplace, a larger span is possible.

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8. Degree of Planning and Standardization

If procedures and rules are well-established, the manager needs less time to guide employees, increasing the span.
Where planning is weak and procedures are unclear, span must be narrow.

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9. Support Systems (Assistants, Technology)

If the manager has assistants, administrative support, or software systems, they can manage more people effectively.
Without support, span must be smaller.

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10. Organizational Culture

A culture that promotes trust, teamwork, and self-discipline allows a wide span of control.
A strict, authoritative culture requires closer supervision → narrow span.

(c) Discuss organization structure of any manufacturing industry

(c) Discuss Organization Structure of a Manufacturing Industry

An organization structure shows how activities, responsibilities, and authority are arranged within a company.
In a **manufacturing industry**, the structure is designed to manage production, quality, materials, finance, and people efficiently.
A typical manufacturing company uses a **functional organization structure**, where the company is divided into departments based on functions.

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1. Top Level Management

This level includes **CEO, Managing Director, General Manager**.
They take major decisions, set goals, and coordinate the entire manufacturing unit.

Key roles:

- Decide production targets and policies
- Approve budgets
- Coordinate all departments
- Ensure smooth overall running of the factory

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2. Production Department

This is the most important department in a manufacturing industry.

Functions:

- Actual production of goods
- Managing machines, tools, and equipment
- Ensuring production schedules are met
- Maintaining workflow and efficiency
- Supervising shop-floor workers

It includes sections such as **Assembly, Fabrication, Machining, Packaging** etc.

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3. Quality Control (QC) Department

Responsible for maintaining product quality.

Functions:

- Inspect raw materials
- Test finished products
- Ensure products meet standards and specifications
- Reduce defects and wastage

Quality Assurance (QA) may also be included for process improvement.

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4. Purchase & Procurement Department

Ensures the availability of raw materials and components.

Functions:

- Selecting suppliers
- Negotiating prices
- Purchasing raw materials, machines, tools
- Maintaining supplier relationships

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5. Inventory / Stores Department

Manages storage and movement of materials.

Functions:

- Receiving raw materials
- Issuing materials to production department
- Managing stock levels
- Maintaining warehouse records

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6. Sales & Marketing Department

Promotes and sells the manufactured products.

Functions:

- Market research
- Finding customers
- Pricing and promotions
- Managing customer orders
- After-sales service

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7. Finance & Accounts Department

Manages all monetary transactions.

Functions:

- Preparation of budget
- Paying wages, bills, expenses
- Financial planning
- Keeping accounts and tax records

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8. Human Resource (HR) Department

Manages employees and labor relations.

Functions:

- Recruitment and training
- Maintaining safety and welfare of workers
- Performance evaluation
- Handling disputes and HR policies

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9. Maintenance Department

Ensures continuous operation of machines.

Functions:

- Repair and servicing of equipment
- Preventive maintenance
- Reducing machine downtime

- Ensuring safety standards

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10. Research & Development (R&D) Department

Develops new products and improves existing ones.

Functions:

- Designing new models
- Improving product quality
- Using new technologies
- Reducing production cost